CITY OF CHULA VISTA MINUTES MOBILEHOME RENT REVIEW COMMISSION

Wednesday, January 20, 2010 6:00 P.M.

CITY HALL COUNCIL CHAMBERS

CALL TO ORDER/ROLL CALL – 6:20 P.M. (Meeting provided in simultaneous Spanish translation – no attendees utilized)

PRESENT: Brett Davis, Rudy Gonzalez, Cesar Padilla

ABSENT: Steve Epsten (excused)

Pat LaPierre (excused) Sam Longanecker (excused) Ramon Riesgo (excused)

STAFF: Mandy Mills, Redevelopment & Housing Manager

Stacey Kurz, Senior Project Coordinator

Mitch Thompson, Councilmember

1. APPROVAL OF MINUTES

<u>September 14, 2009</u>

Chair Padilla tabled approval of the minutes due to a lack of quorum of eligible voters.

2. ELECTION OF NEW CHAIR AND VICE CHAIR FOR FISCAL YEAR 2009/2010

Chair Padilla tabled the election of Vice Chair until a future meeting of the Mobilehome Rent Review Commission.

3. WORKSHOP TOPIC: PARK CONVERSIONS TO RESIDENT/NONPROFIT OWNERSHIP

Councilmember Thompson provided an introduction to the speakers that were present to discuss conversion to resident ownership and/or non-profit ownership.

Speaker Sue Loftin provided a presentation, reference Attachment 1, that summarized the process to determine whether a park is ready to convert to residential ownership and potential benefits and reasons why parks do covert, including flexibility, stability, lower payments (typically), and homeownership. Ms. Loftin described the forms of ownership that are available and financing that is commonly used to purchase parks and the most common process that is taken. She indicated that it does take some predevelopment money in order to evaluate the potential for a conversion.

Speaker Ken Sauder spoke about his experience as a non-profit agency purchasing a park in Escondido. He indicated that the park purchase was possible through bond financing and the property is managed by a third party operator that provides resident services on-site as well. These types of services can typically include after school care, recreational activities and educational classes.

Resident Steve Molski of Terry's Mobile Home Park asked the presenters about the Homeowners Association (HOA) form of ownership and the typical fees that have to be paid to the HOA. Ms. Loftin responded indicating that the resident owned park in Chula Vista, OrangeTree pays approximately \$62, but they are one of the best financially managed parks she knows and fees can vary depending on what expenses are included and whether utilities are submetered.

Member Gonzalez asked how long-income residents were protected through the process. Ms. Loftin responded indicating that State MPROP funds are available to those at 40% AMI and in each form of ownership scenario the following could occur if a resident could not buy-in: HOA – either the HOA or

Mobilehome Rent Review Commission Minutes Page 2 of 2

existing park owner could retain ownership; PUD – state rent control takes effect; or Coop – irrevocable restriction.

Chair Padilla closed with asking Councilmember Thompson what the first step should be for a resident group interested in residential conversion. Councilmember Thompson replied that organization, education and talking to the park owner are the keys to starting the process. He further added that the MPROP program has approximately \$2M available for purchases and it usually takes 6 months or so to convert.

4. STAFF COMMENTS

❖ Mobilehome Issues Stakeholder – Staff Kurz provided a brief update on the process for selecting the stakeholder committee and the process for meeting.

5. MEMBER'S COMMENTS

None.

6. PUBLIC COMMUNICATIONS

Dolores Dempsey, resident of Granada Park expressed concern over the ability for the Mobilehome Issues Stakeholder members to communicate on behalf of the larger mobilehome community.

Irene Bourke, resident of Granada Park expressed her concern over park management issues and thought there would be benefits to resident ownership.

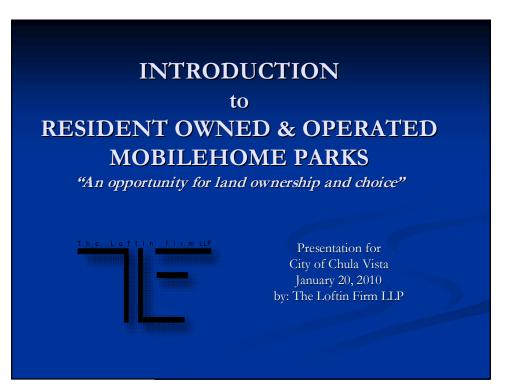
Steve Molski, resident of Terry's Mobile Home Park expressed his concern over park management issues and utilizing the local newspaper to communicate to the mobilehome community.

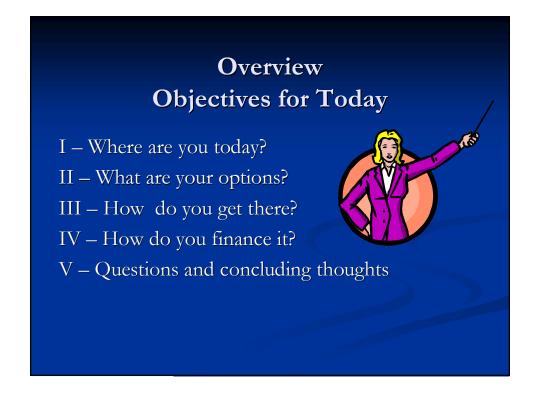
| 7. | ADJOURNMENT - | - Meeting | was ad | iourned : | at 7:55 | p.m. |
|----|----------------------|-----------|--------|-----------|---------|------|

| Recorder, | Stacey Kurz | |
|-----------|-------------|--|

Attachments:

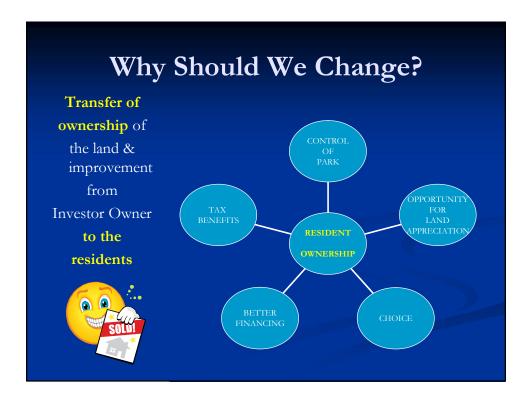
1. Presentation – Introduction to Resident Owned & Operated Mobilehome Parks





Part I Where are you today?

Part II
What are your options?



Modes of Ownership

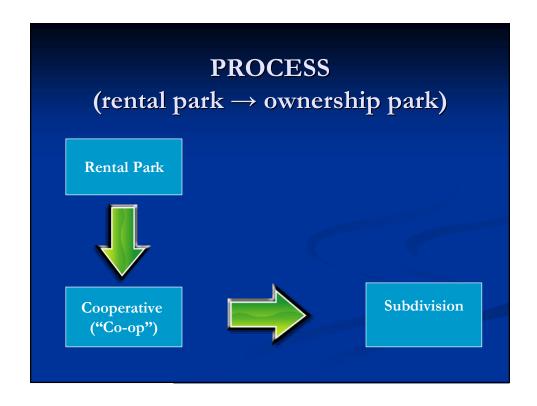
Cooperative (Coop)

- A form of shared ownership
- Co-op owns the land
- Residents have membership interest in co-op
 - Like a stockholder of a company that owns the park
- Residents have long-term "occupancy agreement" for exclusive right to occupy their space
- Residents continue to own their homes
- RISKS. Nonpayment by Members; Financing

Subdivision (PUD)

- You will own the land/space
 - May have mortgage payment on land (and home)
 - Small HOA dues (no more rent or membership payments)
- HOA will manage the park (through property management co.); each household gets 1 vote
- Each unit owner gets (a) easements over the common area and (b) membership in the HOA
- <u>RISKS</u>. Not enough people buy-in

Part III How do we get there?

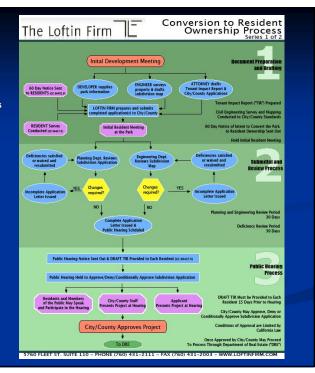


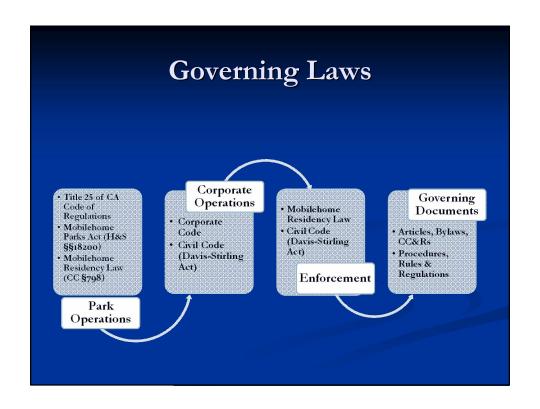
"CO-OP" OWNERSHIP

- 1. Form Association (Non-profit "mutual" or "public" benefit corporation
- 2. Enter into contract with Park Owner
- 3. Obtain Financing
- 4. Obtain governmental approvals
- 5. Resident Agreements executed
- 6. Close Escrow

Conversion: Subdivision

- 1 Meeting with Residents
- 2 Approval by Residents
- 3 Approvals from City
- 4- Approval from Coastal Commission, if applicable
- 5 Approval from Department of Real Estate and/or Corporation
- 6 Purchase of Memberships/Lots





Part IV How do you finance it?

WHAT ARE THE COSTS?

■ PRE-ESCROW COSTS

Estimated Costs, not all costs apply to each type of ownership

City may require additional studies

Added to Members Value

Not all Money Required Immediately

| Expense Item | Estimated Cost |
|-----------------------|----------------|
| Phase I Toxic | \$ 5,000 |
| Allocation Appraisal | \$ 15,000 |
| Facility Study | \$ 12,000 |
| Engineering | \$ 75,000 |
| Local Fees | \$ 50,000 |
| State Fees | \$ 4,100 |
| Attorney Fees & Costs | \$ 100,000 |
| HOA Photocopy | \$ 10,000 |
| Contingency | \$ 20,000 |
| TOTAL | \$ 306,100 |
| Per Space | \$ 2,450 (rnd) |

How do we Finance it? Comparison

Cooperative

- Co-op is the borrower
 - Nobody is personally liable for the loan on the real property
 - Lender will have deed of trust against the park
 - If some Members do not pay assessments, then all other members must pay more for the mortgage
- Rent payments used to pay the mortgage payment
 - Collected by co-op and used to pay loan and expenses
- Sale of Membership & Home – who finances?

Subdivision

- Buyers will obtain individual financing (mortgage) and purchase their lot
- Small monthly fee to HOA for "common area" expenses
- No more rent
- Low Income assistance from State, City and Park Owner

Help from the State MPROP – what is it and how does it work?

- Mobilehome Park Resident Ownership Program
- Designed to help resident groups buy their parks
- Types of loans available
 - For individuals
- Typical loan terms
 - 3% simple interest
 - Payments Depend upon Income
- The application process



INCOME CATEGORIES (2009)

| | 1 Person | 2 Persons | 3 Persons | 4 Persons |
|------------------|-----------|-----------|-----------|-----------|
| Lower Income | \$ 46,250 | \$ 52,900 | \$ 59,500 | \$ 66,100 |
| Median Income | \$ 52,450 | \$ 59,900 | \$ 67,400 | \$ 74,900 |

FINANCING FOR INDIVIDUAL

Resident Household Purchase of Ownership Interest in the Park

- ATTACHED TO THE LAND
 - 433c
 - Construction of Permanent Foundation
- AGE OF HOME
 - 1971 earlier; June 1976 to 1971; post June 1976
 - Engineer's Certificate
- CREDIT SCORE OF BORROWER
- TERMS OF LOANS

Part V
Questions and
Concluding Thoughts